

Public-Private Venture's Contribution to Improved Quality of Life

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**Public-Private Venture's Contribution to Improved Quality
of Life**

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Public private venture (PPV) will significantly improve the quality of life for Marine families residing in base housing because it offers an increased quantity and improved quality of housing, a more responsive maintenance plan, a cost savings to the Marine Corps, and contributes to retention and unit readiness.

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Introduction

The Navy and Marine Corps, to improve housing at military bases, launched a public-private partnership. As a result, private companies have begun replacing or refurbishing base housing around the Marine Corps. "Privatizing military housing is a presidential and secretary of Defense management priority and is recognized as a key item on the administration's agenda to improve the quality of life for our service members."¹ Public private venture (PPV) will significantly improve the quality of life for Marine families residing in base housing because it offers an increased quantity and improved quality of housing, a more responsive maintenance plan, a cost savings to the Marine Corps, and contributes to retention and unit readiness.

Improved Housing

A 1995 report by the Defense Science Board stated that the condition of military family housing made daily activities an ordeal and lowered moral. The report recommended the creation of a Military Housing Authority that would follow private industry practices in improving military housing.²

The 1996 National Defense Authorization Act established the Military Housing Privatization Initiative, which approved partnerships with private firms to build and manage military

¹George Cahlink, "Business Solutions Award: Comfortable Living," *Government Executive*, August 2002.

² John Benner, "Military Aims to Improve Base Housing," *Washington Post*, November 13, 2003.

family housing. The military was authorized to guarantee rent payments in long-term contracts to private companies, reducing risks and providing the incentive for private developers to participate.

Through privatization, the military expects to improve the quality of home life for its fighting force.³ The Department of Defense 2003 housing inventory indicates that 60 percent of its 280,000 family housing units are "inadequate," requiring such significant repair that retaining the units is not cost effective.⁴ Under the public private venture, contractors will be able to provide more and better quality houses for military families. Access to affordable, quality housing is a key element affecting the quality of life of military members and their families.

As complaints about burst pipes and leaky roofs grew more and more common in the mid 1990s, Defense Department officials decided to turn over most base housing construction and maintenance operations to private developers and property management companies through long-term contracts. Private firms, because of their need to return a profit, work hard to

³ John Benner, "Military Aims to Improve Base Housing," *Washington Post*, November 13, 2003.

⁴ John Benner, "Military Aims to Improve Base Housing," *Washington Post*, November 13, 2003.

keep occupancy rates up and to keep housing units in good repair.⁵

The civilian management teams are able to address the backlog of maintenance requests in a timely fashion. They are able to make quick decisions and implement them immediately. Most maintenance requests are handled within 24 hours, no matter how small the request. This is a stark difference from the three to five day waiting period experienced by families served by military maintenance. Developers are liable for annual and long-term maintenance, and must provide housing with modern amenities such as swimming pools, garages, athletic fields and internet connectivity.

Cost Savings

The DOD has been unable to address the critical housing needs of service members and their families because of existing budgetary constraints. Using the traditional approach to military construction, it would have taken twenty years and would have cost approximately \$16 billion to upgrade housing. With privatization, it is expected that all 280,000 housing units will be upgraded by 2007.⁶ Privatized replacement and renovation of the housing stock is expected to cost about \$14

⁵ George Cahlink, "Business Solutions Award: Comfortable Living," *Government Executive*, August 2002.

⁶ George Cahlink, "Business Solutions Award: Comfortable Living," *Government Executive*, August 2002.

billion, a savings of about \$2 billion, according to the Housing and Competitive Sourcing Office at the Deputy Undersecretary of Defense for Installations and Environment.⁷ Moreover, the Marine Corps expects to eliminate all inadequate housing by 2015, which is up to a decade sooner than would have been achieved using military funding and manpower. Commercial construction is not only faster it is also less costly than military construction.

With public-private ventures, the services agree to turn over up to fifty years worth of housing dollars, which includes the present monthly allowances based on rank and location provided to service members to cover out-of-pocket housing expenses to commercial developers in exchange for building, maintaining, and managing housing on military bases.⁸ Furthermore, each of the services has entered into public-private ventures, but only the Navy and Marine Corps have formed limited liability partnerships. Under this approach, the Navy and Marine Corps not only agree to provide funds from housing allowances, but they invest money up front and assume risk if the project fails. The Navy and Marine Corps have put up a

⁷ John Benner, "Military Aims to Improve Base Housing," *Washington Post*, November 13, 2003.

⁸ George Cahlink, "Business Solutions Award: Comfortable Living," *Government Executive*, August 2002.

total of \$133 million for PPV projects, but anticipates it will save \$478 million in construction and repair costs.⁹

Retention and Unit Readiness

"Quality housing helps DOD retain the best personnel for its all-volunteer military force. The proportion of personnel remaining in service from bases with high quality housing is about fifteen percent higher than for those stationed at places with low housing quality."¹⁰

This situation has led to a decline in readiness and morale among service members. Service members want to live in communities that offer stability and continuity as a backdrop for deployment, reassignment, and day-to-day life. Inadequate and outdated military housing is being torn down to make room for new houses that the military hopes will improve battered morale and aid in retention and recruitment.¹¹ Because quality of life directly affects personnel retention and ultimately unit readiness, adequate housing can enhance efforts to maintain a ready quality force.¹²

⁹ George Cahlink, "Business Solutions Award: Comfortable Living," *Government Executive*, August 2002.

¹⁰ "Military Housing Privatization," <http://www.acq.osd.mil/housing/mhpi.htm>.

¹¹ John Benner, "Military Aims to Improve Base Housing," *Washington Post*, November 13, 2003.

¹² Timothy Maier, "Military Housing Remains in Poor Condition," *Insight on the News*, May 15, 2000.

Conclusion

The quality of military housing as part of the military quality of life, is a key component of military readiness. Service members face demanding schedules and are often called upon to place the needs of military above the needs of their families. Military families were living in base housing that was often dilapidated, too small, lacking in modern facilities, and mostly substandard.

Military housing privatization is a tool to help improve the quality of life for service members by improving the condition of their housing. PPV was designed and developed to attract private sector financing, expertise, and innovation to provide necessary housing faster and more efficiently than traditional military construction processes would allow.¹³ The goal of public private venture is to revitalize, replace, or demolish all inadequate housing. It offers quality, affordable housing using private sector expertise and capital.

¹³ "Military Housing Privatization," <http://www.acq.osd.mil/housing/mhpi.htm>

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